

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN INVESTIGATION OF TOLL AND ACCESS)	
CHARGE PRICING AND TOLL SETTLEMENT)	
AGREEMENTS FOR TELEPHONE UTILITIES)	CASE NO. 8838
PURSUANT TO CHANGES TO BE EFFECTIVE)	
JANUARY 1, 1984)	

O R D E R

On October 18, 1983, the FCC announced that it was suspending the proposed interstate access charges filed pursuant to its Docket No. 78-72, February 28, 1983, and August 22, 1983, Orders in Phase I, until April 3, 1984, and further announced that in the interim period the existing division of revenue, under current separations and settlement procedures, would be continued. On October 21, 1983, this Commission issued an Order in this case stating that for the intrastate jurisdictional toll, the division of revenues and settlements during the interim period were to be developed to retain the same effect as the current separations and settlements agreements. The Commission further recognized that because of changes resulting from the divestiture of American Telephone and Telegraph Company ("AT&T"), changes in the current intrastate separations and settlement contracts

might be necessary and ordered South Central Bell ("Bell") to file a report describing how it intended to implement the Commission's decision during the interim period.

Bell filed its report with the Commission on October 31, 1983. The report briefly stated that the arrangements to continue the current division of revenues on an interstate basis are still incomplete, but that one method under consideration would be the use of access charges to American Telephone and Telegraph Communications ("ATTCOM") apparently set at levels to maintain the existing division of revenues under current settlements and separations method. Bell anticipated an interstate decision shortly and stated that when the interstate plans were finalized, it would be in a better position to provide more detailed information of its plans to this Commission.

On an intrastate basis, Bell stated that, in its opinion, carrier access charges to ATTCOM (and other interchange carriers) was the most appropriate method of charging. Bell indicated that it was of the opinion that the presently proposed intrastate interlata carriers' charges in this case should be adopted by this Commission, but that, should the Commission fail to approve these tariffs, Bell would seek an intrastate arrangement consistent with the agreement reached in the interstate jurisdiction.

Bell's proposed intrastate interlata carriers' charge tariffs produce approximately \$32 million on an annual basis. General Telephone Company of Kentucky ("General") and

Continental Telephone Company ("Continental") in current rate cases before this Commission have both withdrawn access charges and have no method of recovery of intrastate interlata toll costs after January 1, 1984, or until access charges are established, except through a division of revenue and settlement process, which in the Commission's opinion is most easily administered by Bell. The remainder of the independents were to have access charges, if any were to have been determined, in this proceeding. Under these assumptions \$32 million on an annual basis is insufficient to make Bell, General, Continental and the average-settlement companies whole (under existing separations and settlements) during the interim period after January 1, 1984. Based on the 12 months ended April 30, 1983, the Commission estimates that the intrastate interlata carrier access charges should produce approximately \$55 million.

Bell, anticipating that the Commission would allow the use of intrastate interlata carrier access charges, stated that it expected to proceed with its current proposal for establishing a replacement of existing independent company settlement contracts for intrastate intralata toll based on access charges and further stated that contracts between it and the independent companies, as with all its contracts, must be based on and limited to the input of the two parties to the contracts. In its Order entered May 12, 1983, in Case No. 8727, General Telephone Company of Kentucky Complainant vs. South Central Bell Telephone Company Defendant, the

Commission established its jurisdiction and stated that "the settlements procedure really amounts to setting rates between General and South Central (and other telephone companies) for utility services over which the Commission has exclusive jurisdiction pursuant to KRS 278.040(2)."¹ Therefore, the Commission fully intends to review and make decisions regarding the unexecuted settlement contracts being negotiated between Bell and the other telephone companies under its jurisdiction.

To ensure that during the interim period after January 1, 1984, the division of intrastate toll revenues among the exchange companies under its jurisdiction shall be developed to retain the same effect as the current settlements and separations agreements, the Commission orders that the independent telephone companies, ATTCOM (and any other interested parties who wish to make comments) file written opinions of Bell's intrastate proposals and any changes they consider necessary. These comments should be filed with this Commission within 7 days from the date of this Order. Comments from other interested parties will be accepted within this same period. Bell should further file a report on the status of the interstate decisions at that time. The

¹ Order in Case No. 8727, May 12, 1983, page 7.

Commission is further of the opinion that a hearing in this matter is necessary and should be held in the Commission's offices in Frankfort, Kentucky, on November 22, 1983, at 9:00 a.m., Eastern Standard Time.


IT IS THEREFORE ORDERED that within 7 days from the date of this Order, all telephone companies under this Commission's jurisdiction, ATTCOM (and any interested parties who wish to have their comments considered) shall file with the Commission comments on their respective opinions regarding Bell's interim plan filed October 31, 1983, for both charges and settlement of intrastate interlata and intralata toll with a copy to all parties of record.


IT IS FURTHER ORDERED that Bell shall report the status of decisions regarding the interstate charging methods and division of toll with the Commission and all parties of record within 7 days of the date of this Order.


IT IS FURTHER ORDERED that a hearing on this matter shall be held in the Commission's offices in Frankfort, Kentucky, on November 22, 1983, at 9:00 a.m., Eastern Standard Time, with a representative from Bell, ATTCOM and all other independent telephone companies under this Commission being present. At the hearing, Bell should be prepared to address its position with regard to the concerns set forth by this Commission in this Order and any of the concerns expressed by the other telephone companies.

Done at Frankfort, Kentucky, this 11th day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary